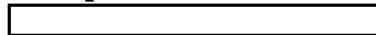


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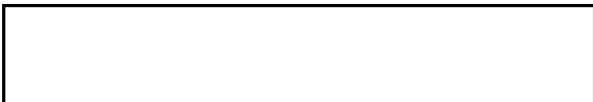


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USSR

Soviet officials were displeased with the independent views expressed at the party congress by foreign Communist leaders, but have not yet made an authoritative response.

Kremlin leaders and Soviet delegates at the congress listened in silence to the speeches by the independent-minded representatives from Romania, Yugoslavia, Italy, and France. Their disapproval was registered by the way *Pravda* reported applause accorded congress speakers. It listed 25 outbursts of applause for pro-Soviet stalwart Bulgarian party chief Zhivkov, but only ten for Romanian President Ceausescu, eight for Yugoslav Party Secretary Dolanc, and three for Italian Communist Party leader Berlinguer.

The reaction was just the opposite on Friday, when Angolan representative Batista, speaking between Dolanc and Berlinguer, delivered an old-fashioned tirade on the "anti-imperialist struggle." Soviet senior ideologist Suslov was on his feet and clapping before the translation was completed.

The tough Kremlin line on Soviet-led unity of the communist movement was laid down in General Secretary Brezhnev's report and in other Soviet speeches before the independent-minded delegates had spoken. No reply has been made; *Pravda* is publishing the texts of the offending speeches, however, and the issue is now too much in the open to sweep under the rug.

Soviet leaders evidently made special efforts to get anti-Maoist themes into the speeches of the less important Soviet regional party leaders who spoke at the end of last week, paralleling Brezhnev's tough remarks on China in his opening-day report. The regional speakers gave far more weight to attacking China's anti-Sovietism than to expressing confidence that better Sino-Soviet relations will eventually develop. These attacks seem to be directed at "Maoism" and the "Maoists" rather than at the leaders in Peking.

Soviet speakers have continued to be relatively restrained on the issue of detente. Most have offered words of support, but generally without enthusiasm. A number of speakers also included references to foreign reactionaries using detente to undermine "socialism," a theme that could betray misgivings about the Soviet foreign policy line. There have been few direct statements about the US.

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EC-TURKEY

The EC, having agreed to accept Greece's application for full membership, wants to demonstrate its even-handedness by satisfying Turkish demands for improved association arrangements. The community is finding it difficult, however, to find ways to do it.

Turkish officials will push for major concessions on trade, migrant labor, and financial aid when they meet with EC representatives in Brussels on Tuesday. Suffering from a steadily increasing trade deficit with the EC, Turkey has been seeking improved access to EC markets for Turkish agricultural goods; freer movement and improved social security benefits for migrant Turkish workers in the community; increased quotas for industrial products, especially textiles; and more loans from the European Investment Bank.

Ankara claims that the new EC preferential trade arrangements with Mediterranean and African states have undermined its trade advantages with the community, thus increasing its balance-of-payments problems. Some of the EC members, France in particular, still oppose any move, however, toward equating Turkey's preferential access with that of the Maghreb states.

EC members continue to raise other objections to possible concessions. London, for example, opposes any concessions on textiles; Paris and Rome are not prepared to increase quotas for competitive agricultural goods; and Bonn resists providing increased social security benefits for Turkish workers.

The EC is considering a major increase in financial assistance to Turkey—possibly totaling as much as \$400 million over a five-year period. Delays in bank processing, however, will probably prevent the EC from appearing very forthcoming next week.

EC officials also want to begin negotiations with Cyprus on improving its 1973 association agreement, but there is some concern that this could complicate relations with Turkey. The new agreement would enable Cyprus to expand its agricultural exports and provide for economic and financial cooperation. To avoid political problems, the accord will have to do something for both Turkish- and Cypriot-controlled parts of the island.

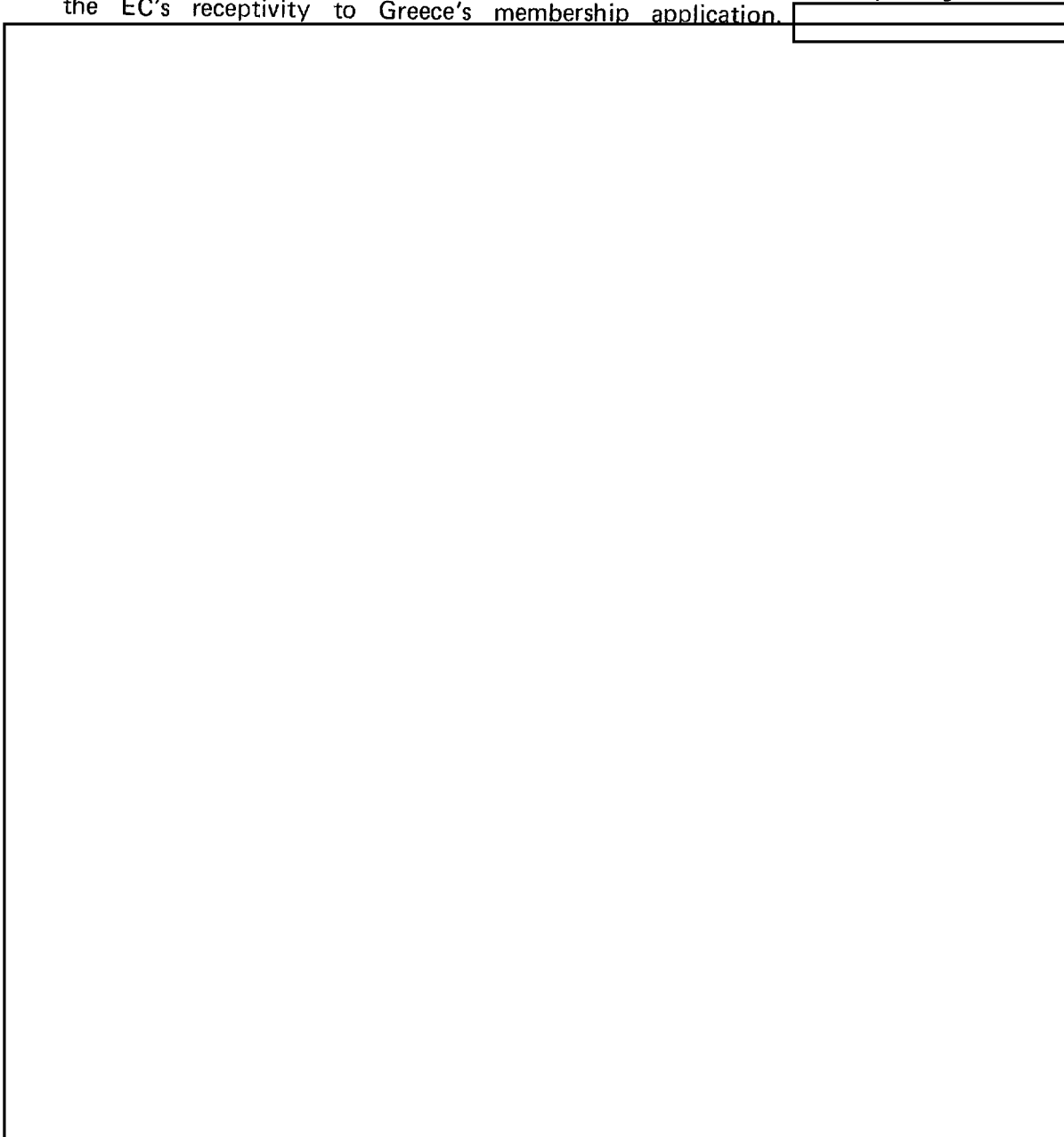
Since a fundamental desire still exists in Ankara to maintain and improve relations with the community, the Turks may welcome indications that the community is favorably disposed toward their requests. Half of Turkey's foreign trade is with the EC, and continued close ties to Western Europe are essential to plans to modernize and westernize Turkey.

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An unresponsive EC position, however, will strengthen sentiment in Turkey for a major re-evaluation of EC-Turkish ties. Turkish national pride is intimately bound up in the question of Turkey's treatment by Western Europe, especially in light of the EC's receptivity to Greece's membership application.

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CHINA

Teng Hsiao-ping is now being attacked by name in wall posters in several parts of China, apparently with the official endorsement of some leaders in Peking. The public attacks make Teng's position more precarious and reduce the likelihood that he can retain all of his present positions.

While Teng's increasing troubles cast further doubt on his political future, they also illustrate his long-standing vulnerabilities as a key figure in any succession plans.

The disclosure after Chou En-lai's death that the premier had been ill since 1972 puts his choice of Teng in clearer perspective. At the time, the leadership had been drastically reduced by the fall of defense minister Lin Piao and his associates. Mao Tse-tung and Chou probably had little choice but to bring the able, experienced Teng back from political obscurity.

The only other obvious candidate, Chou's long-time right-hand man Li Hsien-nien, has been consistently passed over despite his strong professional credentials. Apparently he lacks either the political clout or the confidence of Mao to assume the premiership. The realization in 1972 that Chou was terminally ill also explains the sudden flurry of rehabilitation of party officials in the following year. Foremost among them, of course, was Teng.

Despite the fact that Teng was the best man for the job, given the paucity of choices at the time, Chou could not have picked a more controversial figure. Teng's built-in liability as a once-disgraced official was immediately seized on by the political left. Teng was rehabilitated amidst a leftist propaganda barrage defending the "fruits of the Cultural Revolution," a theme that re-emerged last December in the context of the education debate and also seemed aimed indirectly at Teng.

In retrospect, it is obvious that Teng's ascension to power was opposed at every step by the left. Chou—and Mao—undoubtedly wanted to put Teng on the Politburo at the party congress in August 1973, but he was not named to the post. [redacted]

[redacted] What was not known at the time, of course, was that there was some urgency in getting Teng into place because the premier was dying. Teng was surely one of the major objects of the leftist counterattacks in the later phases of the anti-Confucius campaign in 1974. A derogatory reference to people who used "foreign walking sticks," for example, apparently was aimed at him. It was not until the party and government meetings in January 1975—meetings that apparently were delayed by backstage wrangling—that Teng finally emerged as a leading figure in the party, government, and military bureaucracies and the man in line to succeed Chou.

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Teng's new power gave him enormous confidence, and his behavior throughout 1975 bordered on cockiness. He seemed oblivious to his political vulnerability as the only top man in the leadership who had been ousted during the Cultural Revolution. Instead of trying, as Chou did, to placate his opponents, he seemed to go out of his way to antagonize them. Starting with his speech at the party plenum in January 1975, which included an attack on the Cultural Revolution, Teng moved to discredit the left in ways that Chou never would have.

With Teng at the helm, a story dating back to 1972 about Mao's anger over his wife's interview with an American sociologist—a story that did not circulate widely when Chou was at the reins—became public knowledge within China. Moreover, it is hard not to see Teng as the force behind two unflattering stories about young party Vice Chairman Wang Hung-wen, both of which served to paint Teng in glowing colors while making it clear that Wang was not ready to assume a position of responsibility. Although Teng may have felt it necessary to pursue this heavy-handed course in order to neutralize his opposition and consolidate his own power, these tactics probably only stiffened leftist opposition to him when the time came to name a new premier.

Teng apparently was instrumental in arranging the rotation in 1973 of regional military commanders from their power bases, and some of these men—including the powerful Politburo member Chen Hsi-lien—could have reason to be unhappy with him. Politburo member Chang Chun-chiao may also have lined up against Teng. Blocking Teng from the premiership would leave Chang the only major figure with important posts in the three bureaucracies. Chang could also have been dismayed at Teng's high-handed treatment of the left; Chang himself rose through those ranks but has gained in power because of his ability to work with contending factions without trampling on any of them.

Teng has not been as deferential to Mao as Chou was. Foreign visitors have been surprised at Teng's total lack of reference to him, and the Chairman has complained over the year that no one listened to him. This was a complaint Mao made specifically about Teng prior to the Cultural Revolution; he did not express this concern when Chou was active.

The array of forces against Teng thus could be quite considerable and may well have been in part of his own making. The propaganda attacks on people in the party taking the capitalist road—a pointed reference to Teng—and the wall poster criticism of him suggest that the left is now engaged in an all-out effort to purge him. Others may merely want to reduce his power.

It has been speculated that Teng, recognizing the controversy that his nomination to the premiership would arouse, voluntarily withdrew his name in favor of Hua Kuo-feng. This, however, would be uncharacteristic of Teng, who has ignored

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his own vulnerabilities without hiding his zest for power, and inconsistent with his disinclination to compromise both before the Cultural Revolution and since his return.

Another theory is that Hua Kuo-feng is only an interim premier and that Teng's name will be resubmitted after the dust settles. While this approach may be in the minds of some in Peking, it seems likely that Teng's renomination would encounter exactly the same opposition again.

Indeed, in some respects Hua Kuo-feng could be a better man for the premiership than Teng. Aside from the fact that he is decidedly less controversial, he is considerably younger than Teng, and his confirmation in the post would give China something more than an interim successor to Chou. Foreigners could find him less difficult to deal with than the often abrasive Teng, and although he lacks foreign policy experience, he presumably will have an able assistant in Foreign Minister Chiao Kuan-hua.

Next to Teng, in fact, Hua is the most logical candidate for the job. Among the vice premiers who outranked him, two are primarily party figures, another is a military man, and the last lacks political clout. Hua, on the other hand, has considerable experience in a variety of domestic issues, and it seems especially significant in retrospect that the job of overseeing agriculture was given to him after China's disappointing harvest of 1972. His star has been rising for some time, and even before the announcement on February 7 of his designation as acting premier, he seemed certain to fill one of the vacancies on the Politburo Standing Committee. If he is permanently confirmed as premier, he probably will become a party vice chairman.

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SPAIN

Mounting labor unrest in Spain has led to direct provocation of police and security forces by workers. The police, who had been under orders to act with restraint, have responded by stepping up their use of force.

Two serious strikes were settled over the weekend, but new ones elsewhere will test the government's ability to deal with labor militancy.

Last week, the first worker to die in a labor dispute in over two years was killed by police in Alicante Province. They allegedly fired warning shots when attacked by demonstrators and strikers. This incident led to a protest march in Pamplona which was broken up by police.

Barcelona has seen considerable labor unrest, notably in the construction industry where some 100,000 workers have been striking over contract negotiations. On two occasions last week, clashes involving construction workers were broken up by police using tear gas and rubber bullets. A contract reportedly signed over the weekend increases workers' salaries and social benefits. They are expected to return to work today.

Interior Minister Fraga reportedly intervened to end a strike in Sabadell. He ordered the release of eight men whose arrest amid allegations of police brutality had triggered a strike that idled 50,000.

A truckers' strike that began in Madrid last week has spread to other provinces and reportedly has affected some 100,000 trucks. Some 30,000 secondary teachers are on strike for more pay and free trade unions, and university lecturers are expected to join them this week. In most cases the strikes involve economic issues, although in some places the accompanying demonstrations and police intervention have raised political tempers.

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ANNEX

SOVIET ARMS TRANSFERS

Over the past two decades, Moscow has successfully employed military assistance as an instrument for expanding its influence in the Third World. Since 1956, the USSR has extended almost \$15 billion in military hardware, support equipment, and ammunition to 38 Third World countries. More than 60 percent was provided in the 1970s as Moscow made available large quantities of advanced weapon systems, especially to the Middle Eastern countries.

Moscow has demonstrated a willingness to provide military equipment and training with a minimum of stated conditions and on attractive financial terms. It has not turned down a single prospective arms client, and reportedly has shown that it can move rapidly to exploit new opportunities. The military assistance program has enabled Moscow to establish a strong Soviet presence within recipient countries, providing Moscow with an opportunity to influence the recipient through the recipient's reliance on the USSR for logistical support [redacted] and Soviet use of training programs to introduce members of the recipient armed forces to Marxist-Leninist philosophy.

Arab-Israeli tensions, Indonesian territorial conflicts with the Dutch, Pakistan's disputes with India and Afghanistan, Nigeria's civil war, and North Yemen's conflicts with its neighbors are instances in which the arms supply program provided Moscow with an opportunity to establish a position of influence.

The initial negotiations between the USSR and the potential arms recipient are characterized by visits of high dignitaries. During the discussions the Soviets set the political price for arms. With the satisfactory resolution of political matters, the client's request is reviewed and both parties sign an agreement in principle. The review process includes a feasibility study of the client's economic, political, and military capabilities and provides the basis for examining the client's request in detail.

Although information on the Soviet review process is limited, we believe that several criteria affect the type and sophistication of equipment to be provided:

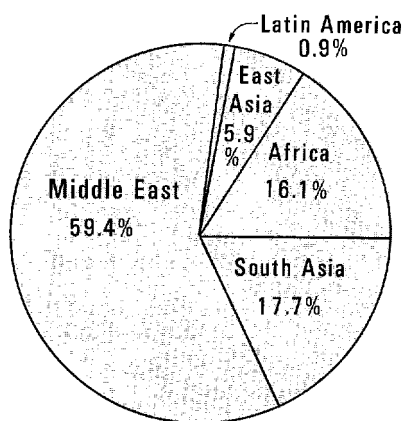
- Political gains and consequences.
- Availability of equipment from stockpiles.
- Production schedules in light of Soviet and Warsaw Pact demands.
- Soviet ability to provide technical support and training.

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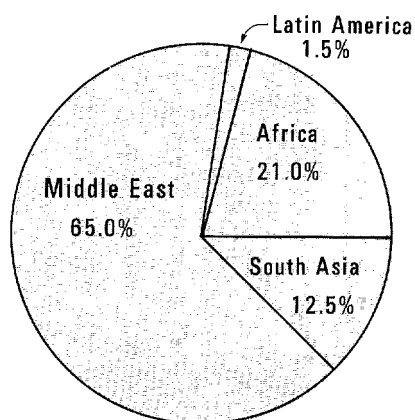
Soviet Arms Commitments

1956-75



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1970-75



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In the case of the belligerent Arab states, external threat analysis and force comparability are also major determinants.

The USSR launched its military assistance program in 1955—initially using Czechoslovakia as an intermediary—when it began arms shipments to Egypt. We estimate that 85 percent of Soviet arms commitments had been delivered by the end of 1975. Deliveries averaged about \$460 million annually during the late 1960s, then jumped to an average of \$1.2 billion in the 1970s.

Because the Soviet program is in part a response to available opportunities and is influenced by the absorptive capacity of the recipients, the annual magnitude and direction of aid has been highly variable. Most of the commitments since 1966 reflect the continuing arms buildup in the Arab countries and new agreements with India, Iran, and Libya. Egypt, India, Iraq, and Syria together have accounted for 65 percent of Soviet arms transfers since 1955. Five other countries—Afghanistan, Algeria, Indonesia, Iran, and Libya—have received most of the rest.

Soviet arms are priced lower than comparable Western equipment. The list price, seemingly based primarily on Soviet estimates of what the market will bear, averages 16 to 28 percent below estimated US cost of production. The differences between Soviet list prices and estimated US production costs are largest for newer and more advanced equipment. Recent information indicates that Moscow is raising the price on some of its equipment.

Moscow generally has sold its arms at favorable terms. Payment usually has been over eight to ten years, after a grace period of one to three years, at an interest rate of 2 to 2.5 percent. Moreover, the USSR has been willing to accept payment in commodities or local currency, and frequently it has reduced or postponed payments when the recipient was unable to meet them.

Discounts from list price—averaging about 40 percent over the past two decades—are an intrinsic feature of the Soviet arms program. During the 1970s, the discount has probably averaged less than 20 percent. Discounting is probably determined on the basis of a client's ability to pay as well as political considerations.

[Redacted]

Cash sales have accounted for an increasing share of Soviet arms exports in recent years. They made up only 5 percent of total agreements in 1955-69, jumping to 15 percent during the 1970s. The major cash clients are Libya and Nigeria. Spare parts and ammunition purchased outside a general agreement are usually handled as cash sales.

The USSR has been the most accommodating among the major arms suppliers in providing modern equipment. Soviet arms deliveries have covered the entire range

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of non-nuclear, tactical weaponry. The USSR was the first exporter to introduce jet fighters (1956), supersonic jet fighters (1959), surface-to-air missiles (1961), guided missile patrol boats (1961), self-propelled radar controlled anti-aircraft guns (1970), and surface-to-surface missiles (1973) into Third World arms inventories.

Moscow could easily increase exports of a wide variety of equipment. There is a surplus of arms production capacity, and production on current lines could be increased almost immediately by employing a second shift. Large quantities of reserve and surplus equipment are also available.

During the 1967 and 1973 Arab-Israeli wars, the Soviets encountered difficulties in meeting client demands/

On this occasion, Moscow successfully pressured its East European allies to make equipment available to the Arab countries.

Moscow's arms exports have yielded considerable influence and leverage in the Third World. Soviet support of nationalist governments has contributed to the weakening or elimination of Western influence in many countries. Concomitantly, Soviet influence in the Middle East, South Asia, and North Africa has expanded significantly. A number of countries—notably Afghanistan, Algeria, Egypt, Iraq, Somalia, South Yemen, and Syria—are largely or almost totally supplied with Soviet equipment and are dependent on the USSR for logistical and technical support.

Through its military technical assistance—in conjunction with general technical assistance and academic training—the USSR has exposed these countries to Soviet ideas and techniques. Moreover, it has established important relationships with military leaders, as well as junior officers who in the future may hold key government positions.

While Moscow has not used its military assistance program to acquire formal base rights, it has obtained a variety of operating privileges. It has acquired the use of the ports of Alexandria in Egypt and of Latakia and Tartus in Syria to support its Mediterranean Fleet operations. Port facilities in Berbera, Somalia, and in Umm Qasr, Iraq, have enabled the Soviet fleet to operate more efficiently in the Indian Ocean area. Moscow has apparently used military aircraft landing rights in Guinea, Somalia, and India for air and naval intelligence operations.

Moscow has gained some economic advantages from the program. Arms repayments have given the Soviets access to long-term commodity commitments. Most important is the arms for natural gas arrangements with Afghanistan. The arms supply relationship may also lead to oil supply arrangements with Iraq and Libya. A few clients pay for their arms in hard currency.

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Moscow probably will continue to view its arms transfer program as a major foreign policy tool. The program's relatively small cost to the Soviet economy and high political payoff have been proved over time.

The impact of the Soviet military assistance program, however, has not been completely positive from the Soviet point of view. Soviet military support for leftist regimes has frequently alienated more conservative antagonists. Moscow's cool relations with the Shah and current difficulties with Morocco are cases in point.

Moscow's military assistance relationships have also led to demands for increased support that the Soviets might have preferred to avoid. Soviet clients, in turn, have become disillusioned when Moscow has not offered the types and quantities of equipment they thought they needed.

The overbearing manner of Soviet advisers has repeatedly triggered resentment, and Soviet attempts to manipulate delivery schedules and shipments of spare parts for political reasons have often been a source of friction. In the case of Egypt, unhappiness with Moscow's military assistance was a major factor leading to the ouster of the Soviet military presence in 1972.

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